

Establish Under Secretary of Defense for Research and Engineering

By: Andrew Hunter
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BACKGROUND

Currently, the under secretary of defense for acquisition, technology, and logistics (USD AT&L) manages the defense acquisition system. He or she oversees five assistant secretaries of defense specified in statute: acquisition; research and engineering; logistics and material readiness; nuclear, chemical, and biological defense programs; and energy, installations, and environment. The current position was established as the under secretary of defense for acquisition as part of the reforms associated with the Packard Commission and the Goldwater Nichols Act in 1987 and responsibilities for Logistics and Material Readiness were formally added in the 1990s. Prior to the creation of USD AT&L, there was an under secretary of defense for research and engineering (USD R&E), 1977–1987, which had grown out of a prior office known as the director of defense research and engineering (DDR&E). The Packard Commission recommended that the acquisition system be designed to “establish unambiguous authority for overall acquisition policy, clear accountability for acquisition execution, and plain lines of command for those with program management responsibilities” and that the system be managed by a defense acquisition executive (DAE).¹

The Fiscal Year 2016 National Defense Authorization Act (FY16 NDAA) began a process of shifting some acquisition responsibilities down the chain of command by mandating that after Fiscal Year 2016, Milestone Decision Authority (MDA) for Major Defense Acquisition

¹ David Packard, President's Blue Ribbon Commission on Defense Management, Letter to President, June 30, 1986, <http://www.ndia.org/Policy/AcquisitionReformInitiative/Documents/Packard-Commission-Report.pdf>.

Programs (MDAP) would be delegated to the service acquisition executives (SAEs) of the military departments unless the secretary of defense specified otherwise. Previous DoD policy had designated USD AT&L as the MDA for MDAPs unless the under secretary chose to delegate this authority (about half of MDAPs had already been so delegated by USD AT&L to the services), and generally delegated MDA responsibility for smaller acquisition programs to the SAEs or their subordinates. The FY16 NDAA also significantly increased the role of the service chiefs in the acquisition process.

Secretary of Defense Ash Carter has created new entities, such as the Defense Innovation Unit Experimental and the Strategic Capabilities Office, to strengthen the U.S. technological edge and improve defense innovation. Moreover, he has shown a willingness to revisit the design and function of these organizations to better achieve their objectives.²

Although the focus of acquisition reform is frequently on weapons, the largest share of DoD's acquisition spending goes for services. Spending associated with MDAPs constitutes approximately 25 percent of DoD's roughly \$300 billion in acquisition spending. Sustainment of weapon systems is generally two-thirds of their total lifecycle cost, compared to one-third spent in development and production. Oversight of MDAPs is heavily determined by statutory requirements imposed by Congress. The Department has also chosen to implement many of these oversight requirements on smaller acquisition programs.

Table 1: Remarks from Congress and Administration

SENATE	HOUSE	SECRETARY CARTER/ ADMINISTRATION
Establish a new under secretary of defense for research and engineering (USD R&E) in the Office of Secretary of Defense to lead technology innovation at DoD. Divide current under secretary of defense for acquisition, technology, and logistics functions between the USD R&E and the under secretary of defense for management and support.	[No corresponding provision]	Secretary Carter has opposed disestablishing AT&L as an organizational step backwards and threat to recent progress in the acquisition system while conceding that organizational improvements can be made at DoD to support innovation. ³ SAP: Administration strongly opposes Senate Section 901.

² Jim Garamone, "Carter Announces Version 2.0 of Defense Innovation Unit Experimental," U.S. Department of Defense, May 11, 2016, <http://www.defense.gov/News-Article-View/Article/757147/carter-announces-version-20-of-defense-innovation-unit-experimental>.

³ Sidney J. Freeberg, *White House Threatens Veto of House NDAA; OCO, RD-180 at Issue*, Breaking Defense, May 17, 2016, <http://breakingdefense.com/2016/05/white-house-threatens-veto-of-house-ndaa-oco-rd-180-at-issue/>.

<p>Senate NDAA 2017 S.2943, Section 901 (Quote from Bill Summary)</p> <p>"The NDAA disestablishes the Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L) and divides its existing duties among a new Under Secretary of Defense for Research and Engineering (USD(R&E)) and the renamed Under Secretary of Management and Support, a position mandated by the National Defense Authorization Act for Fiscal Year 2015 that takes effect on February 1, 2017. This new position builds upon and updates the old USD(R&E), a once-powerful position that helped to lead the development of stealth, precision guided munitions, and other advanced capabilities as part of the so-called 'Second Offset' strategy during the Cold War. The primary mission of the new USD(R&E) would be restoring, elevating, and enhancing the mission of defense technological innovation."⁴</p>	<p>HASC Staff Director Robert Simmons Statement:</p> <p>"I don't think it's completely inconsistent with the path we already started last year," he said. "We're going to take a hard look at what they've come up with, but it's clear that nobody can say that the system as it currently has evolved is [successful]."⁵</p>	<p>SAP on Senate NDAA:</p> <p>"The Administration strongly objects to section 901, which would eliminate the USD/AT&L and assign its duties to multiple officials, including a new Under Secretary for Research and Engineering, an Under Secretary for Management and Support, and an Assistant Secretary for Acquisition Policy and Oversight. Unlike the USD/AT&L, the new Under Secretary for Research and Engineering would not have responsibility for developmental testing, which provides critical feedback regarding the early identification of design problems that is crucial for successful acquisition programs. The new Under Secretary would not have responsibility for contractor oversight and life-cycle sustainment costs, which would undermine DOD's ability to control contractor costs and oversee performance through the life of a program. And the new Under Secretary would not have the authority to direct the military departments and DOD components, undermining the ability of the Secretary of Defense to provide guidance and direction to the military services on major acquisition programs. Finally, the assignment of logistics oversight functions to both a new Deputy Assistant Secretary of Defense for Logistics and Sustainment under the new Assistant Secretary for Acquisition Policy and Oversight and a new Under Secretary of Defense for Business Management would fracture and misalign logistics authorities, management, and execution and ignore the key logistics authorities and policies related to deploying, sustaining, and retrograding forces in contingency operations."⁶</p>
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⁴ U.S. Senate Armed Services Committee, National Defense Authorization Act for Fiscal Year 2017, <http://www.armed-services.senate.gov/imo/media/doc/FY17%20NDAA%20Bill%20Summary.pdf>.

⁵ <http://insidedefense.com/inside-pentagon/staff-chief-house-lawmakers-open-senate-proposal-eliminate-atl>

⁶ https://www.whitehouse.gov/sites/default/files/omb/legislative/sap/114/saps2943s_20160607.pdf

		<p>Carter Statement:</p> <p>“One area I must comment on is the proposal—the Senate version of the NDAA—to extensively reorganize the functions of the Under Secretary for Acquisition, Technology and Logistics. . . . I share the views of the SASC that over time, the acquisition executive’s position has become so preoccupied with program management, including a lot of unnecessary bureaucracy associated with it, that perhaps takes some management attention away from the research and engineering function. So, I do, however, have a serious caution: separating research and engineering from manufacturing, which is implied in this proposal, could introduce problems in the transition from the research and engineering phase to the production phase and then to the sustainment phase, and that is in fact, a frequent stumbling block for programs.”⁷</p>
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ASSESSMENT

The administration, Senate, and House all agree that ensuring U.S. technological superiority is a major priority and that some change to DoD’s current organization would likely be beneficial in achieving this objective. The following discussion is how to redistribute current AT&L responsibilities, what mandate and authorities the new USD R&E (or whatever alternative moniker is chosen) will have, and how much latitude DoD has in designing the organizational solution.

On these questions, the Senate bill is highly specific in certain respects. For example, while today’s AT&L enshrines a notional equality for the closely related functions of acquisition, research and engineering, and logistics and sustainment, the Senate bill is careful to delineate that in the new R&E organization acquisition is a subsidiary function to research and engineering, and logistics and sustainment is a further subsidiary function to acquisition. Surprisingly, given the Senate bill’s focus on elevating the research and engineering function, oversight of developmental test activities and of DoD’s major range and test facilities is transferred from the research and engineering function and put under the control of the director of operational test and evaluation. The DOT&E would also outrank the new

⁷ U.S. Department of Defense, Secretary of Defense Speech, “Remarks at Navy League Sea-Air-Space-Convention,” May 17, 2016, <http://www.defense.gov/News/Speeches/Speech-View/Article/774658/remarks-at-navy-league-sea-air-space-convention>.

assistant secretary of defense for acquisition policy and oversight (ASD AP&O), creating some interesting power dynamics between the two offices in the oversight of acquisition programs. The director of cost assessment and program evaluation would likewise outrank the new ASD.

In other areas, the Senate bill is non-specific, leaving DoD some discretion to decide how to organize. The bill leaves the disposition of the energy, installations, and environment function unstated, which effectively would leave the decision of how to manage these areas at the Department's discretion. Similarly, the bill does not specify where responsibility for the acquisition of services would reside. Services are mentioned only tangentially in reference to the defense agencies to be managed by the under secretary of defense for management and support (USD M&S), but the reference does not speak to the acquisition of services by the military departments. A related but separate provision of the Senate bill, Sec. 831, Chapter 144A of title 10, U.S. Code, which governs the acquisition of major automated information systems, is entirely repealed. It is unclear if this repeal is intended to remove responsibility for management and oversight of these acquisition programs from the purview of the under secretary of defense or to leave such program management decisions to DoD's discretion. The disposition of other AT&L offices that currently report directly to the under secretary, such as the director of small business, is likewise unspecified.

In yet other areas, the Senate bill is specific but somewhat unclear. The bill divides responsibility for the logistics and sustainment function between the USD R&E, who has responsibility for the full acquisition lifecycle for weapon systems and supervises the new deputy assistant secretary of defense for logistics and sustainment, and the USD M&S, who has responsibility for managing the Defense Logistics Agency (DLA). With respect to DLA and several other defense agencies, the USD M&S is given supervisory authority, but it is unclear whether this under secretary of defense has the authority to actually manage and set policy in the functional areas where these agencies work. As a result, it is somewhat unclear where authority for managing overall logistics policy would reside. Such policies can require significant adjustment during major operations, such as the build-up and drawdown of U.S. forces in major contingency operations.

RECOMMENDATION FOR WAY FORWARD

Given the positions of the administration and both congressional chambers, a reorganization and redistribution of the current AT&L organization seems to be a likely consensus outcome. There are two major paths to achieve this objective.

The first is to build on the basic structure proposed in the Senate bill, clarifying the major responsibilities in the acquisition system that are not currently addressed, and perhaps adjusting the bill in areas where the balance among officials could use improvement. For example, in existing statute, the USD AT&L's status as the DAE translates readily into

authority because Title 10, U.S. Code, generally vests acquisition authorities in the USD AT&L. While the USD R&E is formally designated as the new DAE, this title conveys almost no statutory authority, and the new ASD APO where the bulk of the acquisition function would be vested is a significantly more junior official.

The second path is to establish the role of the new USD R&E in driving innovation in the acquisition system, reduce the overall specificity in Section 901 of the Senate bill, and expand the discretion of DoD to develop a framework for the new organization by a time certain. This would allow DoD to develop a coherent framework to lead the Department's push for innovation, ensure that the new office has the authorities required to carry out this mission identifying those areas where specific statutory authority is required, and balance the power relationships across DoD. The Senate bill already requires DoD to come up with an implementation plan for the changes made in Section 901 no later than March 1, 2017, and requires that final implementation occur no later than January 20, 2018. Given the likelihood that the FY17 NDAA will not be finalized until late in the year, the deadline for the implementation plan would need to be extended to give DoD sufficient time to do the analysis and to give the incoming administration time to review the plan. The second path probably lends itself to a stronger final outcome for a reorganization of this size and complexity.



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